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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

June 2, 1998

The Honorable Magalie Roman Salas
Secretary
Federal Communications Commission
1919 M Street NW
Washington, DC 20054

ADDENDUM TO REVISED
JUNE 1 FILING

Re: Schools and Libraries Corporation
Third Quarter 1998 Collections for Schools and Libraries
Universal Service Fund, CC Docket Nos. 96-45, 97-21

Dear Secretary Salas:

In response to the inquiry of the Common Carrier Bureau requesting proposals to improve the operational efficiency of the Universal Service support mechanism for Schools and Libraries, the Schools and Libraries Corporation (SLC) filed an ex parte notice setting forth its suggestion. The enclosed document proposes language to implement the SLC's suggestion. The enclosure is provided in response to the request of the Common Carrier Bureau staff.

Acknowledgment of this letter is requested, and pursuant thereto, an additional copy is enclosed for this purpose.

Respectfully,

Debra M. Kriete

Debra M. Kriete
General Counsel

cc: Ruth Milkman, Esq.,
Irene Flannery, Esq.
John Nakahata, Esq.

Attachment

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List A B C D E

In the pending Public Notice, we seek comment on a proposal to implement a gradual phase-in of the school, libraries and rural health care universal service support mechanisms that takes advantage, and reflects the timing, of access charge reductions, will provide substantial support and at the same time will minimize disruption to consumers.¹

These important objectives are accomplished most readily by synchronizing the administration of the support mechanisms with the applicants' planning year cycles. The funding year for the schools and libraries support mechanism should be revised to coincide with an effective date beginning July 1, 1998. The coordination of the administration of the support mechanism and the applicants' administration of their organizations will enable the beneficiaries to plan the installation and maintenance of the supported services in a more efficient and organized manner. To accomplish this change, the current program year shall transition from a January 1 start date to a July 1 effective date for discounts, for the second year of the administration of the support mechanism beginning July 1, 1999. For the first year—calendar year 1998--the fund

¹ Through its Orders issued following the adoption of the May 8, 1997 Report and Order, the Commission has striven to clarify the rules governing Universal Service for Schools and Libraries in a manner which balances the demand forecasts with the contributions projected to be available. When the Commission first promulgated the rules to govern Universal Service for Schools and Libraries, the funding year was determined to be the calendar year, and requests for support were to be accepted beginning on the first of July for the following year. May 8 1998 Report and Order, ¶ 535. This periodicity was different from the Joint Board's recommendation for the funding year to commence July 1, 1997 in accordance with the school year schedule of many of the beneficiaries of this new support mechanism. Joint Board Recommended Decision, ¶ 530. In the Order on Reconsideration issued July 10, 1997, the Commission clarified that only services provided to schools and libraries after January 1, 1998 will be eligible for universal service discounts. Order on Reconsideration, ¶ 13. Initially, the collections for the schools and libraries fund was limited to \$1 billion for the first six months of the funding year, which was later modified to \$625 million. Third Order on Reconsideration issued December 16, 1997, ¶ 1. This reduction was designed to reduce the financial burdens on universal service contributors without jeopardizing the sufficiency of the support mechanisms. *Id.* It was anticipated that demand would not reach the maximum projection levels of \$2.25 billion per year in the first year of this new support mechanism. *Id.* at ¶ 4.

administrator shall make funding commitments effective for services provided no earlier than January 1, 1998 and to be funded at the approved monthly level through the period ending with the expiration date of the contract for services or June 30, 1999, whichever date is later, for telecommunications services and Internet access. These services are provided generally at regular, monthly intervals and are billed on a monthly, recurring basis. In contrast, the price of internal connections tends to be less predictable and less frequently spread out in even monthly amounts. Installations of internal connections also frequently require that the projects be timed to occur during periods when school is out of session so as to minimize the disruptive impacts on the students. Further, given the funds available for this support mechanism of \$1.67 billion for the first program year, there would not be sufficient funds available to provide discounts for greater than an annual amount of projected demand for internal connections. The funds committed for internal connections will be limited to the annual amount approved for the 1998 program year, but these funds may be utilized during the first program year, as well as during the transition period through June 30, 1999. This approach should enable the full funding of all applicants' requests during the first year of the operation of the support mechanism.

This modification requires that we reconsider on our own motion the limitation on the exemption from competitive bidding for voluntary extensions of existing contracts. See 47 C.F.R. Section 54.511(d). In order to accomplish an orderly transition to the July 1, 1999 funding year, we shall waive Section 54.511(d) and permit eligible schools and libraries to extend voluntarily existing contracts which may have a termination date between January 1, 1999 and June 30, 1999. The waiver shall be effective only if the contracts are extended voluntarily to a date no later than June 30, 1999.

Further, the Commission directs that the administrator of the funds for the schools and libraries support mechanism assures that the support disbursements for discounts on internal connections do not exceed the amounts to be collected and the level of commitments to be made to applicants as prescribed in this Order.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing filing was served this 2nd day of June 1998, by mailing copies thereof by United States Mail, first class postage paid or by hand delivery, to the persons listed below.

By: 

Matthew E. Harcourt
Schools and Libraries Corporation

The following parties were served:

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